

# Exhibit 3

# U.S. DEPARTMENT OF THE TREASURY

## Prepared Remarks of Assistant Secretary Juan Zarate Islamic Society of North Americas Sixth Annual Education Event

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Assalamualaikum. Dear friends, I am honored to be here today to continue our engagement on important terrorist financing issues facing all of us, and to discuss the critical role of the American Muslim and Arab communities in protecting and promoting our collective interests in charitable giving.

Let me begin by thanking our hosts, the Islamic Society of North America and the Muslim Public Affairs Council, for inviting me to be a part of this weekend's gathering. The Treasury Department and the U.S. Government are committed to strengthening our relationship with the Islamic and Arab American communities to protect the interests that we all share as a free, tolerant and charitable society, and I am grateful for this opportunity to be with you today.

As we gather today, I am pleased to recognize many familiar faces. Such familiarity bears testimony to our sustained efforts and shared commitment to work together in protecting and promoting charitable giving, not just over the course of a weekend conference, but rather, on an ongoing basis to achieve meaningful and significant progress. The importance of our dialogue and cooperation in our collective mission cannot be overstated. In this sense, continuity is a welcome sign, and I view our gathering today as an opportunistic point along a progressive continuum of engagement to advance our efforts.

The Muslim and Arab American communities are essential elements of our great country's eclectic fabric. As all Americans unite in the fight against terrorism and terrorist financing, constructive engagement between your community and the U.S. Government is a vital aspect of the overall strategy to overcome those aiming to destroy the liberties we enjoy every day as Americans.

Over the last several years, the U.S. Treasury has established an important relationship and dialogue with the Muslim and Arab American communities as we work together to deal with the

corrosive effects and threat of terrorist financing to the United States and the Muslim and Arab worlds. This relationship is acutely necessary as we work to protect and preserve the sanctity of charitable giving and Zakat from terrorist groups like al Qaida, which have purposely usurped the goodwill and donations of Muslims around the world to fuel their terrorist agenda. It is also critical to advancing our collective mission of promoting charitable relief and development around the world to those most in need of our assistance.

The American Muslim and Arab communities are uniquely situated to advance these interests. You all have the powers of the purse and persuasion to affect global practices and perceptions that are essential to protecting and promoting charitable giving and winning the long-term battle against terrorism.

Today's gathering is especially important, as diverse representatives from the American Muslim leadership join forces and minds to create a National Council of American Muslim Non-Profits. Your decision to establish the Council as a forum for developing and implementing best practices to ensure the effective and safe delivery of charitable funds and services creates tremendous opportunity - opportunity to effect positive and meaningful change at a time of great importance in the development of the Islamic and Arab worlds.

This development comes at an important crossroads - where the need to protect and promote charity around the world faces the challenge of terrorist abuse and corruption. We must combat this abuse and advance our charitable mission by working independently, and by working together. The development of a National Council for American Muslim Non-Profits represents a significant step forward in dealing with these challenges and in providing your community with a vehicle for promoting change. I am particularly excited about the opportunities that the Council will have to advance the interests we share.

Let me talk for a moment about how we view charity and the importance we ascribe to it. Charitable giving is a proud and vibrant component of virtually every community in America, regardless of religion, culture or background. This is especially true in the case of Islam, where Zakat - or charity - is a pillar of the faith. Charitable giving and the benevolent work of non-profits within the American Muslim community are dignified characteristics of your faith. We appreciate and respect the importance Z in the Muslim community, just as we encourage the charitable nature of all Americans.

The U.S. Government is also devoted to altruistic works. President Bush, at the beginning of this month, announced that we had awarded \$2 billion in grants in 2004 to social programs operated by churches, mosques and synagogues. The President also announced in the State of

the Union that he would ask Congress for \$350 million for the Palestinians to support - both immediately and in the long-term - political, economic and security reforms. Additionally, since 1993 the Palestinian people have received more than \$1.5 billion in U.S. economic assistance via USAID projects - more than from any other donor country. These commitments reflect the generous and philanthropic culture that defines America.

We need look no further than the recent tsunami disaster in South Asia for evidence of the importance of charitable giving - as both a humane response to disaster and as a compassionate face of our foreign policy. During the tsunami aftermath, the benevolence of all Americans took center stage, as private donations linked with U.S. Government resources from the aid community and military were delivered to thousands in desperate need. Importantly, the tsunami also highlighted the need to enhance our capabilities to rapidly transmit money and other assistance to those in desperate need.

Often, however, money is most needed in places where we encounter high levels of risk that charitable relief may be diverted from intended recipients and end up into the hands of terrorists or other criminals. We must recognize the importance of ensuring that humanitarian aid and other charitable giving originates from and is delivered through legitimate channels and to valid recipients. This is not easy, yet remains an essential part of our work.

In the dangerous environment we face in parts of the world that have the greatest need, we must make every effort to protect our charitable interests so donors can be assured that their well intentioned contributions are delivered safely and effectively to legitimate beneficiaries and recipients. Simply put, we must protect charitable giving in order to promote the continued support of our charitable communities to those who need it most.

The unfortunate reality of the post-9/11 world is that al-Qaida, Hamas and like-minded terrorist groups have abused non-profits to support their terrorist agendas, often misappropriating religion to justify their actions. Terrorists establish charitable fronts and seek out corrupt or vulnerable charities to raise and move money, to transport operatives and material, to recruit and indoctrinate new members, and to support family members of operatives or deceased suicide bombers.

To my great frustration, there are some that hold onto the erroneous belief that the threat of terrorist financing through non-profits is not very real and not terribly dangerous. Such thinking ignores the critical role that corrupted charities have played in supporting the terrorist operations of groups like al Qaida.

Al Qaida has historically employed a deliberate strategy of infiltrating existing charities and establishing charitable fronts to expand its presence and to raise and move funds, in addition to operatives and material, in support of terrorist operations. As reported by the National Commission on the Terrorist Attacks upon the United States, charities [for al Qaida] were a source of money and also provided significant cover, which enabled operatives to travel undetected under the guise of working for a humanitarian organization.

Unfortunately, this strategy of abusing charity to support terrorist activity has proven to be effective for organizations like al Qaida. Al Qaida's success in executing the bombings of U.S. embassies in Nairobi and Dar es Salaam in 1998 relied in part on the terrorist organization's ability to infiltrate and establish charities to support development of the terrorist cells that eventually executed these attacks. Al Qaida has also used charitable networks to finance terrorist organizations, such as those operating in the Philippines and Southeast Asia. These examples underscore the importance that groups like al Qaida place upon the charitable sector as a critical means of supporting direct terrorist activity and other terrorist groups.

Other terrorist groups, such as Hamas and Hizballah, hold fundraising events and operate charitable organizations that provide relief to those in need, but for a terrorist ransom that is unacceptable. Charitable operations by terrorist groups such as Hamas and Hizballah manipulate vulnerable populations in a destructive pattern of terrorist support. A key example of this is the policy of such terrorist groups to reward the surviving family members of terrorist suicide bombers. Such a deliberate strategy of terrorist manipulation creates a vicious cycle that encourages more violence, death, and hatred. It also threatens the integrity of charitable giving, and often misappropriates religion as a justification for such atrocities.

A family starving for resources does not have to sacrifice a son or daughter to receive economic assistance. More importantly, economic need can never justify the deliberate and targeted killing of innocent civilians. And perhaps most importantly, terrorism can never be defended in the name of any religion, be it Islam, Catholicism, Judaism, or any other faith. In this sense, terrorist organizations that defend their actions under the proclaimed banner of religion perpetrate a double injustice of murder and a perverse corrosion of religious values common to all faiths that value the sanctity of human life.

Recently, this fundamental point was underscored by the Crown Prince of Saudi Arabia in his inaugural address at a counter terrorism conference hosted earlier this year in Riyadh. The Crown Prince declared that Islam is the religion of wisdom, adding that false slogans raised by deviant groups run counter to the teachings of Islam. Allow me to quote Crown Prince Abdullah

when he stated, Mohammed, the Prophet of Islam (Peace be upon him) is the prophet of mercy, and Islam is the religion of mercy, and it is impossible to link Islam with terrorism.

As we work together to overcome the deliberate terrorist infiltration and manipulation of charity, we must remember these words of wisdom. Our war against terrorism and our efforts to combat terrorist abuse of charity must never be confused as a war against Islam. Al Qaida, Hamas, Hizballah and other such terrorist groups do not represent or speak for Islam, just as the Irish Republican Army does not represent or speak for Catholicism, and just as Kahane Chai and KACH do not represent or speak for Judaism. In our righteous practice of our great faiths, let us never confuse the true nature of our religions with the perversion of those terrorist groups that attempt to usurp our great faiths.

To defeat the continued abuse of charity by these terrorist groups, we must first and foremost recognize the ongoing threat these groups present to our way of life and to our noble charitable intentions. The corruption of terrorist organizations falsely acting in the name religion is particularly acute when terrorism is supported by funds intended for charity. We can and we must take steps to combat this abuse.

Since President Bush signed Executive Order 13224, the U.S. Government has identified, designated and ordered the freezing of assets of 398 individuals and entities - 40 of which are charities that support terrorist activity and organizations.

Although some react critically to the use of designations, I want to make clear that the designation process entails exhaustive research and labor to ensure it is fair and informed by factual evidence - and all challenges to date in federal court have failed. There is no doubt that the designations we have issued against charities established or corrupted by terrorist organizations are a necessary tool in our campaign to combat terrorist financing and protect the charitable sector from continued abuse.

Designations not only freeze the assets of corrupt individuals and organizations that financially support terrorism but they also serve to inform innocent donors of abusive organizations that divert well-intentioned funds to terrorist groups. In addition, designations sound an alarm within both the charitable and financial communities, informing them of the dangerous environment created by terrorist abuse of charity, thereby encouraging greater diligence to ensure the transparency and accountability of charitable funds and services. Finally, designations deter would-be terrorist supporters from financing or otherwise supporting terrorist activity or groups by signaling that such behavior will not be tolerated.

I fully recognize and understand that many charities corrupted or abused by terrorist organizations have solicited funds from well-intentioned donors. Most, if not all, of the charities that we have designated on account of their support for terrorism also administered some form of charitable relief. The administration of charity, however, can never excuse the simultaneous diversion of funds to support terrorism.

It is painful to realize that funds and services donated with the intention of providing legitimate charitable relief do not reach intended and needy beneficiaries. In this sense, I can understand the frustration of legitimate employees and donors who provide valuable time and hard-earned funds for charity, only to have those funds frozen in the possession of an organization designated on account of its support for terrorism. But that frustration must be directed at those who have corrupted the very charities that have - through either willfulness or willful blindness - been used to support terrorism.

Another way to understand the value of designations is to compare the frustration of having well-intentioned donor funds frozen pursuant to the designation of a corrupted or abused charity, with the horror of having well-intentioned donor funds finance terrorism. Given this choice, I have confidence that every single one of us here today would prefer the understandable frustration at having his or her funds frozen to the incomprehensible horror of financing a terrorist agenda with funds intended to help those in need. This is the choice that we in the Government make when we designate charities corrupted or abused by terrorist groups. And it is a choice that we will continue to make in order to save the lives of those victimized by terrorist activity and the ongoing violence that terrorism breeds.

If you are a person who is frustrated by the designations that we have issued against charities corrupted by terrorist organizations, I ask you to carefully consider my words today. I ask you to recognize the fact that freezing funds intended for legitimate charity but destined for terrorist support is a better outcome than allowing even a percentage of those funds to finance terrorist activity. I ask you to re-evaluate any frustration that you may have with our designations against the unacceptable alternative of turning a blind eye towards terrorist financing, regardless of whether such terrorist support is coupled with legitimate relief efforts. I ask you to check your skepticism with public information such as the evidence that has come to light in the conviction of the CEO of Benevolence International Foundation and in the indictments of those who have defrauded your community. Most importantly, I ask you to understand that by working together, we can help prevent the need for such actions. By raising the vigilance of the donor and charitable community, we can take steps to prevent terrorists from preying on donors and

charities in the first place. This is the key to eradicating terrorist financing from the charitable sector, and this must be the focus of our energy and efforts.

This is why the National Council is an important development on your part. Through this body, you can empower the American Muslim and Arab communities to establish and implement a global standard of accountability and effectiveness in charitable giving. You can also lead a national demonstration of American concern and support for improving the condition of the Muslim and Arab worlds. You can prove to the world that the American Muslim and Arab commitment to charity is stronger than the attempts of terrorist organizations to corrupt it. And you can demonstrate the true beauty and power of your faith through the noble pillar of Zakat. These opportunities are within your grasp, and will greatly benefit the efforts and interests of Americans, Muslims, Arabs and people everywhere to promote global charity, peace and security.

In order to be as effective as possible, it is important to acknowledge and encourage the ability of the National Council of American Muslim Non-Profits to expand its reach beyond charities. In addition to promoting the development and implementation of safeguards against abuse in Islamic and Arab American charities, the Council can also take steps to protect Islamic schools, mosques and other non-profit ventures from infiltration and abuse by terrorist groups and ideologies.

Realizing such an ambitious vision will require the active participation, cooperation and dedication of the entire Islamic and Arab American community. The Council must be driven by you, the Islamic and Arab American people, to be truly effective, and the U.S. Government must pledge its support.

This is why we will continue to work with you and the charitable community on refining our best practices for charities. We will also continue to make as much information known to the public as we can about the abuse of charities. We will further work collaboratively to determine how best to get aid safely into crisis regions.

The U.S. Government will continue to promote development and charity in regions of the world in need of the hope and aid of America. Americans and the U.S. Government have always been generous, giving billions of dollars of charity each year. This aid is often directed to the Arab and Muslim worlds. Notably, we have demonstrated our strong and true commitment of providing aid to Muslims by allocating \$7 billion in USAID money to Muslim nations.

The Muslim American community is an essential fabric in the patchwork of America and a vital voice as we confront the cacophony of hatred in certain extremist corners of the world. All Americans must unite to the fight against terrorism and the extremism that fuels it. The dialogue and work between the American Muslim and Arab communities and the U.S. Government are important elements of this collective effort to overcome those aiming to corrupt our charitable values and destroy the liberties we enjoy every day as Americans.

I look forward to continuing our work together, and am proud of the progress we are achieving. Let us not rest, but rather seize the opportunities presented by the announcement and prospective development of the National Council of American Muslim Non-Profits. I thank you for inviting me to be an active part of this critical dialogue. I especially thank you for your participation, concern, understanding and leadership in moving this dialogue forward.

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